

**California Department of Industrial Relations
2004-2005 Workers' Compensation User Funding Assessment,
Uninsured Employers Benefits Trust Fund Assessment,
Subsequent Injuries Benefits Trust Fund Assessment and
Workers' Compensation Fraud Account Assessment**

METHODOLOGY

Labor Code Sections 62.5 and 62.6 require the Department of Industrial Relations to levy the total amounts of the Workers' Compensation User Funding Assessment, Uninsured Employers Benefits Trust Fund Assessment, Subsequent Injuries Trust Fund Assessment and Workers' Compensation Fraud Account Assessment between insured employers and self-insured employers in proportion to payroll paid in the most recent year for which information is available.

Step 1: Determine Total Assessments Required for 2004-2005

(1.1) Workers' Compensation User Funding Assessment (Labor Code § 62.5).....	\$155,434,146
Total Assessment Required.....	\$175,693,750
Fund Balance.....	(\$26,896,961)
DWC & SIP 0304 Overcollections.....	\$6,637,357
	\$155,434,146
(1.2) Uninsured Employers Benefits Trust Fund Assessment (Labor Code § 62.5).....	\$19,345,032
Total Assessment Required.....	\$39,746,750
Fund Balance.....	(\$18,604,221)
DWC & SIP 0304 Undercollections.....	(\$1,797,496)
	\$19,345,032
(1.3) Subsequent Injuries Benefits Trust Fund Assessment (Labor Code § 62.5).....	\$7,799,711
Total Assessment Required.....	\$10,485,833
Fund Balance.....	(\$2,393,037)
DWC & SIP 0304 Undercollections.....	(\$293,085)
	\$7,799,711
(1.4) Workers' Compensation Fraud Account Assessment (Labor Code § 62.6).....	\$26,499,570
<i>The workers' compensation fraud account assessment is established by the Department of Insurance, Fraud Commission.</i>	
Total Assessment Required.....	\$34,411,424
Fund Balance.....	(\$25,750,875)
DWC & SIP 0304 Overcollections.....	\$17,839,021
	\$26,499,570

Step 2: Determine Payroll Amounts

(2.1) Total payroll for insured employers.....	\$385,445,896,545
<i>Source: California Workers' Compensation Insurance Rating Bureau (WCIRB) policy year 2001</i>	
(2.2) Payroll for self-insured employers	\$136,984,680,176¹
(2.2.1) 2002-03 Fiscal Year for Public Sector *	\$63,015,369,856
(2.2.2) 2003 for Private Sector.....	\$73,969,310,320
<i>* Source: Department of Industrial Relations, Office of Self-Insurance Plans (excludes State of California)</i>	
(2.3) Payroll for State of California (including SCIF)**.....	\$11,676,647,755
<i>** Source: (Department of Personnel Administration, Fiscal Year 2003-04)</i>	
(2.4) Total payroll for self-insured employers.....	\$148,661,327,931²
(2.5) Total combined payroll.....	\$534,107,224,476³
(Insured and self-insured employers)	

Step 3: Calculate Proportional Payroll for Insured and Self-Insured Employers

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(4.1) Insured Employers:

<u>Insured Employer Payroll</u>	=	Methodology Section (2.1)	=	\$385,445,896,545	=	72.17%
<u>Total Combined Payroll</u>		Methodology Section (2.5)		\$534,107,224,476		

(4.2) Self-Insured Employers:

<u>Self-Insured Employer Payroll</u>	=	Methodology Section (2.4)	=	\$148,661,327,931	=	27.83%
<u>Total Combined Payroll</u>		Methodology Section (2.5)		\$534,107,224,476		

¹ (2.2) Payroll for Self-Insured Employers = Σ of Methodology Section (2.2.1) and Methodology Section (2.2.2)

² (2.4) Total Payroll for Self-Insured Employers = Σ of Methodology Section (2.2) and Methodology Section (2.3)

³ (2.5) Total Combined Payroll = Σ of Methodology Section (2.1) and Methodology Section (2.4)

Step 4: Determine the Total Assessments for Insured and Self-Insured Employers

Workers' Compensation User Funding Assessment

Calculation for Insured Employers:

▶ (User Funding Assessment) X 72.17% = \$155,434,146 X 72.17%	\$112,176,823
▶ INCREASED by credits due individual insurers which undercollected against previous advances [CCR § 15609].....	\$4,640,637
▶ DECREASED by insurer overcollection 0304 [pursuant to CCR § 15606(f)].....	(\$6,219,971)
(4.1) Resulting Final Insured Employers Workers' Compensation User Funding Assessment.....	\$110,597,489

Calculation for Self-Insured Employers:

▶ (User Funding Assessment) X 27.83% = \$155,434,146 X 27.83%	\$43,257,323
▶ DECREASED by the Self-Insurer overcollection from prior year.....	(\$417,386)
(4.2) Resulting Final Self-Insured Employers Workers' Compensation User Funding Assessment.....	\$42,839,937

Uninsured Employers Benefits Trust (UEBT) Fund Assessment

Calculation for Insured Employers:

▶ (UEBTF Assessment) X 72.17% = \$19,345,032 X 72.17%	\$13,961,310
▶ INCREASED by the Insurer undercollection for 0304 [pursuant to CCR § 15606(f)].....	\$1,929,858
(4.1) Resulting Final Insured Employers UEBT Fund Assessment.....	\$15,891,168

Calculation for Self-Insured Employers:

▶ (UEBTF Assessment) X 27.83% = \$19,345,032 X 27.83%	\$5,383,722
▶ DECREASED by the Self-Insurer overcollection from prior year.....	(\$132,362)
(4.2) Resulting Final Self-Insured Employers UEBT Fund Assessment.....	\$5,251,360

Subsequent Injuries Benefits Trust (SIBT) Fund Assessment

Calculation for Insured Employers:

▶ (SIBTF Assessment) X 72.17% = \$7,799,711 X 72.17%	\$5,629,051
▶ INCREASED by the Insurer undercollection for 0304 [pursuant to CCR § 15606(f)].....	\$322,424
(4.1) Resulting Final Insured Employers SIBT Fund Assessment.....	\$5,951,475

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Calculation for Self- Insured Employers:

▶ (SIBTF Assessment) X 27.83% = \$7,799,711 X 27.83%	\$2,170,660
▶ DECREASED by the Self-Insurer overcollection from prior year.....	(\$29,338)
(4.6) Resulting Final Self-Insured Employers SIBT Fund Assessment.....	\$2,141,322

Workers' Compensation Fraud Account Assessment

Calculation for Insured Employers:

▶ (Fraud Assessment) X 72.17% = \$26,499,570 X 72.17%	\$19,124,740
▶ INCREASED by credits due individual insurers which undercollected against previous advances [pursuant to CCR § 15609].....	\$9,969,022
▶ DECREASED by the insurer overcollection 0304 [pursuant to CCR § 15606(f)].....	(\$17,598,049)
(4.7) Resulting Final Insured Employers Workers' Compensation Fraud Account Assessment..	\$11,495,713

Calculation for Self- Insured Employers:

▶ (Fraud Assessment) X 27.83% = \$26,499,570 X 27.83%	\$7,374,830
▶ DECREASED by the Self-Insurer overcollection from prior year.....	(\$240,972)
(4.8) Resulting Final Self-Insured Employers Workers' Compensation Fraud Account Assessment.....	\$7,133,858

Step 5: Calculate the Assessments Factors

Workers' Compensation User Funding Assessment Factor

(5.1) Calculation for Insured Employers:

$$\frac{\text{Total Insured Employers Assessment}}{\text{Total Direct Workers' Compensation}} = \frac{\$110,597,489}{\$23,000,000,000} = \underline{0.004809}$$

*Estimated Premium (Source: WCIRB estimate for 2004 Policy Year)

(5.2) Calculation for Self-Insured Employers:

$$\frac{\text{Total Self-Insured Employer Assessment}}{\text{Total Amt. of Workers' Comp. Indemnity Pd**}} = \frac{\$42,839,937}{\$1,947,878,802} = \underline{0.021993}$$

** SOURCE: Dept. of Industrial Relations, Office of Self-Insurance Plans [Σ of Methodology Sections (5.2.1) to (5.2.3)]:

(5.2.1) 2002-03 Public Sector.....	\$840,695,793
(5.2.2) 2003 Private Sector.....	\$938,253,029
(5.2.3) 2003-04 State of California***.....	\$168,929,980

*** SOURCE: Department of Personnel Administration

Uninsured Employers Benefits Trust (UEBT) Fund Assessment Factor

(5.3) Calculation for Insured Employers:

$$\frac{\text{Total Insured Employers Assessment}}{\text{Total Direct Workers' Compensation}} = \frac{\$15,891,168}{\$23,000,000,000} = \underline{0.000691}$$

*Estimated Premium (Source: WCIRB estimate for 2004 Policy Year)

(5.4) Calculation for Self-Insured Employers:

$$\frac{\text{Total Self-Insured Employer Assessment}}{\text{Total Amt. of Workers' Comp. Indemnity Pd **}} = \frac{\$5,251,360}{\$1,947,878,802} = \underline{0.002696}$$

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**** SOURCE:** Dept. of Industrial Relations, Office of Self-Insurance Plans [J of Methodology Sections (5.4.1) to (5.4.3)]:

(5.4.1)	2002-03 Public Sector.....	\$840,695,793
(5.4.2)	2003 Private Sector.....	\$938,253,029
(5.4.3)	2003-04 State of California***	\$168,929,980

***** SOURCE:** Department of Personnel Administration

Subsequent Injuries Benefits Trust (SIBT) Fund Assessment Factor

(5.5) Calculation for Insured Employers:

$$\frac{\text{Total Insured Employers Assessment}}{\text{Total Direct Workers' Compensation*}} = \frac{\$5,951,475}{\$23,000,000,000} = \underline{0.000259}$$

*Estimated Premium (Source: WCIRB estimate for 2004 Policy Year)

(5.6) Calculation for Self-Insured Employers:

$$\frac{\text{Total Self-Insured Employer Assessment}}{\text{Total Amt. of Workers' Comp. Indemnity Pd.**}} = \frac{\$2,141,322}{\$1,947,878,802} = \underline{0.001099}$$

**** SOURCE:** Dept. of Industrial Relations, Office of Self-Insurance Plans [J of Methodology Sections (5.6.1) to (5.6.3)]:

(5.6.1)	2002-03 Public Sector.....	\$840,695,793
(5.6.2)	2003 Private Sector.....	\$938,253,029
(5.6.3)	2003-04 State of California***	\$168,929,980

***** SOURCE:** Department of Personnel Administration

Workers' Compensation Fraud Account Assessment Factor

(5.7) Calculation for Insured Employers:

$$\frac{\text{Total Insured Employer Surcharge}}{\text{Total Direct Workers' Compensation*}} = \frac{\$11,495,713}{\$23,000,000,000} = \underline{0.000500}$$

*Estimated Premium (Source: WCIRB estimate for 2004 Policy Year)

(5.8) Calculation for Self-Insured Employers:

$$\frac{\text{Total Self-Insured Employer Surcharge}}{\text{Total Amt. of Workers' Comp. Indemnity Pd.**}} = \frac{\$7,133,858}{\$1,947,878,802} = \underline{0.003662}$$

**** SOURCE:** Dept. of Industrial Relations, Office of Self-Insurance Plans [J of Methodology Sections (5.8.1) to (5.8.3)]:

(5.8.1)	2002-03 Public Sector.....	\$840,695,793
(5.8.2)	2003 Private Sector.....	\$938,253,029
(5.8.3)	2003-04 State of California***	\$168,929,980

***** SOURCE:** Department of Personnel Administration

**Step 6: Determine Individual Employer's Workers' Compensation
User Funding Assessment**

(6.1) Individual Insured Employers:

Assessment Factor [0.004809] X Employer's Expected Assessable Premium*

(6.2) Calculation for Individual Self-Insured Employers:

Assessment Factor [0.021993] X Total Indemnity Paid by the Employer

**Step 7: Determine Individual Employers Uninsured Employers Benefits
Trust (UEBT) Funding Assessment**

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(7.1) Individual Insured Employers:

Assessment Factor [0.000691] X Employer's Expected Assessable Premium*

(7.2) Calculation for Individual Self-Insured Employers:

Assessment Factor [0.002696] X Total Indemnity Paid by the Employer

Step 8: Determine Individual Employers Subsequent Injuries Benefit Trust (SIBT) Funding Assessment

(8.1) Individual Insured Employers:

Assessment Factor [0.000259] X Employer's Expected Assessable Premium*

(8.2) Calculation for Individual Self-Insured Employers:

Assessment Factor [0.001099] X Total Indemnity Paid by the Employer

Step 9: Determine Individual Employer's Workers' Compensation Fraud Account Assessment

(9.1) Individual Insured Employers:

Assessment Factor [0.000500] X Employer's Expected Assessable Premium*

(9.2) Calculation for Individual Self-Insured Employers:

Assessment Factor [0.003662] X Total Indemnity Paid by the Employer

*** Assessable Premium**

The premium the insured is charged after all rating adjustments (experience rating, schedule rating, premium discounts, expense constants, retrospective rating, etc.) except for adjustments resulting from the application of deductible plans or the return policyholder dividends.